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H.B. 6466 - Homestead and Motor Vehicle Exemption Increase
Testimony of Attorney Susan M. Williams
Judiciary Committee public hearing – March 3, 2021

Recommended Committee Action: **APPROVAL OF THE BILL**

I am a bankruptcy attorney living and practicing law in Connecticut for the past 31 years. In 1993, three years after I started practicing law, Connecticut increased its homestead exemption to \$75,000.00. That was 28 years ago. The homestead exemption has not been increased since that time, with the exception of the 2003 increase to \$125,000.00 but that is specifically for debts related to medical services. I have filed thousands of bankruptcies over the years and have never had the occasion to utilize this narrow exemption for the \$125,000.00.

Connecticut has one of the highest median incomes in the country and being in the northeast we all know how expensive it is to purchase real estate here. Valuations of homes have increased tremendously since 1993 and the homestead should be updated to reflect that increase as well. Our bordering states Massachusetts and Rhode Island have both increased their homestead exemptions to \$500,000.00. This legislation affects hard working homeowners that have been loyal to the State of Connecticut continuing to live here and contribute to Connecticut's economy, paying real estate taxes and acquiring equity in their homes and sometimes actually paying off the mortgage.

It is a difficult decision to file for bankruptcy and always a last resort. However, the United States Bankruptcy Code was enacted to allow debtors an opportunity to have a fresh start and discharge liabilities. A bankruptcy is typically utilized by debtors who fall on hard times for myriad of reasons

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which are typically unavoidable unforeseen circumstances such as divorce, illness, job loss and now pandemics.

If a homeowner has more than \$75,000 of equity in their home then Connecticut is denying these hard working residents the opportunity of a fresh start because there is too much equity in their home. Connecticut is saying you worked too hard and stayed in Connecticut too long because the State of Connecticut will not protect that equity you worked so long and hard to achieve.

My office is on the Massachusetts line and I practice in both Connecticut and Massachusetts. I would like to give you an example of a case in point that just recently came into my office. An elderly woman, Joanne, came to me because her husband had passed away. Joanne and her husband, Tom, had lived in Connecticut their entire lives and had purchased a home in Suffield and paid it off. Joanne and Tom were getting by on their social security and a part time job held by Tom. They had existing credit cards in their names and were current on all obligations until such time when Tom passed away and Joanne's income was cut in half.

Because the mortgage on the home was paid off and now Joanne was the only one on the title to the house she could not file for bankruptcy to address the unsecured creditors because she had too much equity that could not be protected under the homestead. I advised Joanne that I was sorry that she lived in the State of Connecticut because if she lived one mile north in the Commonwealth of Massachusetts we would be able to help her and preserve the equity that she and her husband worked so hard to acquire because Massachusetts allowed 500,000.00 of equity and Connecticut only allows 75,000.00. Joanne asked why there was such a difference in the homestead exemptions between Massachusetts and Connecticut and the only response I had was Connecticut had not updated the laws to protect our residents. Well now it's time to update our exemptions to protect the equity in our homes and give people a reason to stay in Connecticut.

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Be mindful that I am in Northern Connecticut and I see many cases such as this. Values of real estate are much higher in southern Connecticut and those homeowners are more at risk. Almost three decades is much too long to wait to amend the bankruptcy exemptions. I am in support of the bill to raise the homestead exemption to 250,000.00 and I would hope it will be clear that that exemption will be in keeping with the old legislation and be per person so that a married couple holding title jointly will be allowed the full \$500,000.00 exemption.

Furthermore, I am in support of raising the automobile exemption to from \$3,500.00 to \$7,000.00. The automobile exemption has not been updated since 1993 and values of automobiles have increased over the past 28 years.

It is only fair to Connecticut residents to keep the exemptions up with the times – we owe it to them!

Thank you for your time,

Attorney Susan M. Williams